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Joint Committee on Finance

Paper #750

DOT Administrative Facilities (Transportation -- Departmentwide)

[LFB 2019-21 Budget Summary: Page 436, #3]

CURRENT LAW

The Department of Transportation (DOT) owns and leases facilities across the state for various purposes, including the provision of work space for Division of Motor Vehicles (DMV) and State Patrol, as well as accommodating the Department's regional staff. The costs associated with these facilities (construction, remodeling, and maintenance) are funded with transportation revenue bonds. Debt service on these bonds is primarily paid with vehicle registration fee revenue, which has been pledged for this purpose. In the 2017-19 biennium, \$9,080,000 in transportation revenue bonds were authorized for these DOT projects.

GOVERNOR

Authorize \$9,080,000 in transportation revenue bonds for DOT administrative facilities construction projects. Estimate reductions to transportation fund revenue, associated with the partial issuance of these bonds of \$56,800 in 2019-20 and \$421,000 in 2020-21.

DISCUSSION POINTS

1. The primary use of transportation revenue bonds (TRBs) is the funding of major highway development projects. However, TRB proceeds are also used to fund the design and construction of DOT capital facilities projects (such as DMV service centers, State Patrol outposts, and communication towers), as well as some remodeling and maintenance costs. DOT is typically authorized SEG-S appropriation authority in an amount equal to the transportation revenue bond authorizations each biennium. This SEG-S expenditure authority is used to expend the bond

proceeds on DOT administrative and major highway development projects.

2. Table 1 shows the bond authorizations provided for DOT administrative facilities projects over the past five biennia.

TABLE 1
DOT Administrative Facilities Bond Authorizations
(\$ in Millions)

<u>Biennium</u>	<u>Administrative Facilities</u>
2009-11	\$11.9
2011-13	11.9
2013-15	11.9
2015-17	0.0*
2017-19	<u>9.1</u>
Total	\$44.8

*Previously authorized, but unissued bonds were available to provide funding in 2015-17 of \$11.9 million to the administrative facilities program.

3. As shown in the above table, no additional bonding for DOT administrative facilities was provided in the 2015-17 biennium (although a balance of previously authorized TRBs of \$11.9 million was available to fund projects at that time). In the 2017-19 biennium, additional revenue bond authority of \$9.1 million was provided, but the SEG-S expenditure authority for these projects was reduced to reflect the lower authorization level.

4. The bill would appropriate bond proceeds for this program at the base level (\$4,540,000 annually). The specific projects on which the authorized bonds would be spent would typically be identified and incorporated into the Building Commission's biennial capital budget recommendations. Building program projects with a cost exceeding \$1,000,000 are required to be enumerated. To enumerate a project, the Legislature lists the project title, budget, and funding source in a nonstatutory provision enacted as part of the biennial budget bill. One exception to the requirement that individual projects be enumerated by the Legislature is the category of projects known as "All Agency" projects. These broad types of projects are enumerated under titles that indicate a general category of work and that establish an overall budget for the biennium for that purpose. The All Agency enumerations are used for types of projects, such as maintenance, that recur, and also where the Commission may need to address specific unanticipated needs during the biennium.

5. Table 2 provides the Department's 2019-21 planned capital budget expenditures that were included in the Governor's 2019-21 recommended state building program. Although the Governor's recommendations to the Building Commission for the 2019-21 state building program

were not approved, the DOT projects listed in the table would fall under the "All Agency" designation, and would have to be enumerated as such in the 2019-21 state building program. Given that additional funding available for DOT administrative facilities has been somewhat limited in the past two biennia, and that remaining transportation revenue authority will likely be needed for the major highway development program, providing this additional revenue bond authority may be desirable. If the Committee approves the Governor's recommendation to fund these projects with \$9.1 million in transportation revenue bonds, the Committee would have to incorporate these DOT projects as part of its later action on the 2019-21 state building program. [Alternative 1]

TABLE 2

DOT Administrative Facilities Expenditure Plan -- 2019-21

<u>Capital Project Requests</u>	<u>Amount Requested</u>
Statewide Tower Maintenance	\$2,500,000
Small Project Fund	2,500,000
DMV Madison - East Post Remodel	1,000,000
DMV Milwaukee - Northwest Post Remodel	1,000,000
Madison Truax Campus - Parking Improvements	600,000
State Patrol - Black River Falls Tower Replacement	580,000
Superior NW Region Headquarters - Roof Replacement	500,000
State Patrol - Eau Claire Evidence Room Remodel	200,000
State Patrol - Long Term Evidence Storage Room	<u>200,000</u>
 Total Requested	 \$9,080,000

6. The bill would authorize \$9.1 million in TRBs for the purposes shown in the table above. Once fully issued, debt service on these transportation fund-supported bonds would be equal to \$0.8 million annually. Absent this authorization, the base \$9.1 (\$4.54 million SEG-S annually) in bond expenditure authority would remain. However, DOT currently has available \$40.0 million in previously authorized, uncommitted revenue bond authority. Of this amount, \$9.1 million could be used to fund these administrative facilities projects. Again, if the Committee were to designate \$9.1 million of this existing bonding authority to the DOT administration facilities projects in the biennium, the Committee would have to incorporate these projects as part of the "All Agency" enumerations under its later action on the 2019-21 state building program. [Alternative 2]

7. However, given other transportation programming and funding demands, it is possible that the entirety of this \$40.0 million will be needed to offset the expected cost of funding the major highway development program in the 2019-21 biennium. The Governor's recommendation of \$558.2 million for the major highway development program would fund the expenditure of \$97.4 million more for the majors projects in the 2019-21 biennium than was planned for at the time of the Department's February, 2019, report to the Transportation Project's Commission (\$558.2 million recommendation - \$460.8 million Commission schedule). This \$97.4 million in funding would be used for the following project expenditures: (a) \$55.9 million related to the Governor's

recommendation to enumerate the I-43 Silver Spring Drive project in Milwaukee and Ozaukee counties; (b) \$39.3 million related to the STH 50 project; and (c) \$2.2 million related to the I-39/90 project. If the Committee decides not to fund some of these additional major highway development project costs, it is possible that a portion of the \$40.0 million in existing authority could then be used for DOT administrative facilities projects. This would depend on the major highway development programming and transportation revenue decisions made by the Committee.

8. However, under a relatively limited transportation budget, there may be ongoing concern about the overall level of transportation fund-supported bonding, which will have to be repaid from transportation fund revenues. Further, given the program demand in the state highway program, the Committee may want to use this bonding instead to fund the Governor's recommended major highway projects. If such concerns exist, the Committee could decide to provide no additional authority for DOT administrative facilities and limit the amount of transportation fund-supported bonds authorized. [Alternative 3]

ALTERNATIVES

1. Authorize \$9,080,000 in transportation revenue bonds for DOT administrative facilities construction projects. Estimate reductions to transportation fund revenue, associated with the partial issuance of these bonds of \$56,800 in 2019-20 and \$421,000 in 2020-21. [The Committee would need to incorporate the DOT "All Agency" projects as part of its later action on the 2019-21 state building program actions].

ALT 1	Change to	
	Base	Bill
TRB-SEG	\$9,080,000	\$0
SEG-REV	<u>477,800</u>	<u>0</u>
Total	\$9,557,800	\$0

2. Direct DOT to use \$9,080,000 of the \$40.0 million in existing transportation revenue bond authority for the DOT administrative facility projects in the 2019-21 biennium. [The Committee would need to incorporate the DOT "All Agency" projects as part of its later action on the 2019-21 state building program].

ALT 2	Change to	
	Base	Bill
TRB-SEG	\$0	- \$9,080,000
SEG-REV	<u>0</u>	<u>- 477,800</u>
Total	\$0	- \$9,557,800

3. Take no action. [No DOT administrative facilities projects would be funded in the biennium or enumerated as part of the 2019-21 state building program].

ALT 3	Change to	
	Base	Bill
TRB-SEG	\$0	- \$9,080,000
SEG-REV	<u>0</u>	<u>- 477,800</u>
Total	\$0	- \$9,557,800

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